



*Annual Report*  
**FIRST NATIONAL STORES INC.**  
*year ending*

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March 30, 1946



# FIRST NATIONAL STORES INC.

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## *Officers*

ARTHUR O'KEEFFE, *President*

JAMES C. DUANE . . . . . *Vice-President*

MORRIS JOSELOFF . . . . . *Vice-President*

JOHN L. MACNEIL . . . . . *Vice-President*

JOHN E. ELWELL . . . . . *Clerk*

RALPH F. BURKARD, *Treasurer*



## *Executive Committee*

CHARLES F. ADAMS

RALPH F. BURKARD

MORRIS JOSELOFF

ARTHUR O'KEEFFE



## *Directors*

CHARLES F. ADAMS

CHARLES H. BURGER

RALPH F. BURKARD

JAMES C. DUANE

BYRON M. FLEMMING

MORRIS JOSELOFF

SAMUEL JOSELOFF

JOHN L. MACNEIL

JAMES J. O'HARE

ARTHUR O'KEEFFE



Somerville, Massachusetts, July 31, 1946.

TO THE STOCKHOLDERS OF  
FIRST NATIONAL STORES INC.:

The Annual Report of your Company for the fiscal year ending March 30, 1946 is presented herewith.

The figures given in this report are comparable with those of the prior year as there has been no change in the Company's established method of bookkeeping. The Balance Sheet and Statement of Earnings and Surplus Account have been prepared by independent accountants, Messrs. Price, Waterhouse & Co., and their statement of comments thereon is included in this report.

Results of our operations show an increase in sales of 6.99% and a final net profit after all charges and Federal Taxes equivalent to \$3.52 per share as compared with \$2.80 per share for the previous fiscal year.

The following is a condensed summary of operations for the fiscal year ending March 30, 1946, compared with operations for the fiscal year ending March 31, 1945.

	<i>For the Fiscal Year Ending</i>	
	<i>March 30, 1946</i>	<i>March 31, 1945</i>
Retail stores sales . . . . .	\$182,131,241	\$170,236,678
Net profits after taxes, depreciation and all charges and available for dividends . . . . .	\$2,885,555	\$2,294,604
Earnings per share of common stock (on shares out- standing at end of year) . . . . .	\$3.52	\$2.80

	<i>As Of</i>	
	<i>March 30, 1946</i>	<i>March 31, 1945</i>
Net working capital (current assets less current liabilities) . . . . .	\$18,000,792	\$17,801,819
Fixed or property assets (less depreciation) . . .	\$8,642,538	\$9,171,562
Net worth . . . . .	\$27,070,417	\$26,481,282
Earned Surplus . . . . .	\$20,334,138	\$19,745,003

On the following page are graphic charts which show the results of our operations for the past twenty years.

DEPRECIATION CHARGES AND MAINTENANCE CHARGES

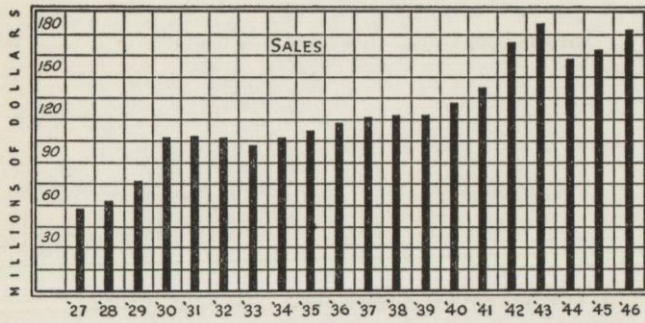
	<i>Fiscal Years</i>			
	<i>1946</i>	<i>1945</i>	<i>1944</i>	<i>1943</i>
Depreciation charges . . . . .	\$936,823	\$962,360	\$955,488	\$986,380
Maintenance repairs and renovation charges . . . . .	\$1,589,847	\$1,254,005	\$873,783	\$952,847

The above amounts were charged to earnings in their respective years to cover the depreciation, maintenance repairs and renovation of all of our depreciable assets, including buildings owned, store and plant fixtures, improvements, machinery, equipment, automobiles and trucks.

DIVIDENDS PAID

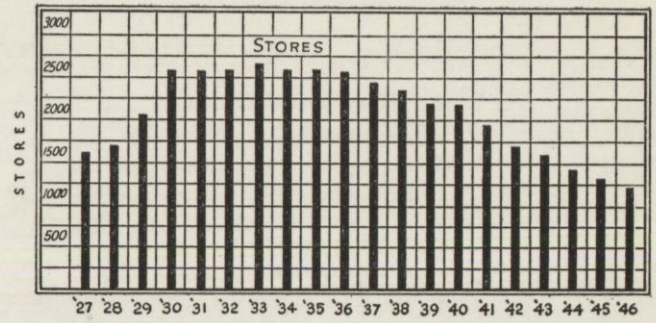
For the fiscal year ending March 30, 1946, four quarterly dividends of 62½ cents a share totalling \$2.50 were paid on the common stock outstanding.





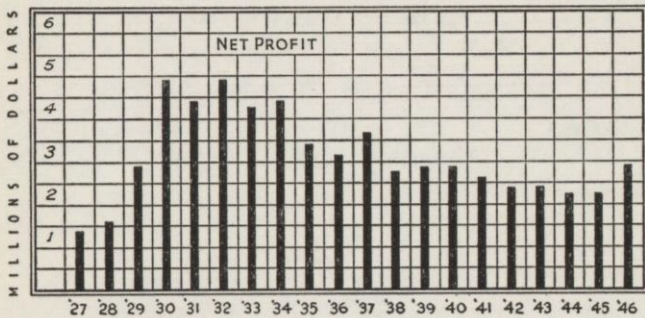
Retail Store Sales—Fiscal Years

1927 \$59,038,304	1934 \$105,812,781	1941 \$142,680,921
1928 64,445,962	1935 111,323,463	1942 174,378,932
1929 75,884,639	1936 119,575,417	1943 187,839,592
1930 107,635,216	1937 120,682,961	1944 164,924,978
1931 108,196,686	1938 124,294,617	1945 170,236,678
1932 107,634,383	1939 124,222,955	1946 182,131,241
1933 100,892,947	1940 131,041,157	



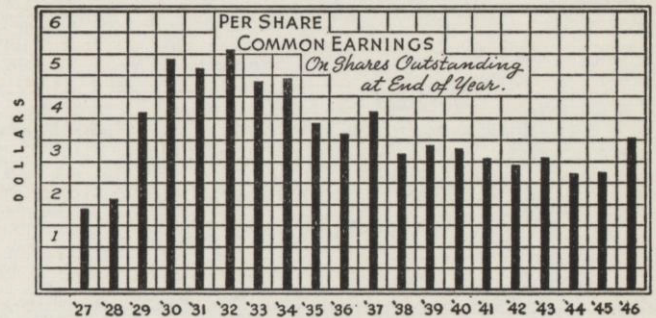
Stores—Fiscal Years

1927 1681	1934 2653	1941 1923
1928 1717	1935 2623	1942 1748
1929 2002	1936 2556	1943 1585
1930 2549	1937 2473	1944 1463
1931 2548	1938 2350	1945 1340
1932 2546	1939 2244	1946 1236
1933 2705	1940 2137	



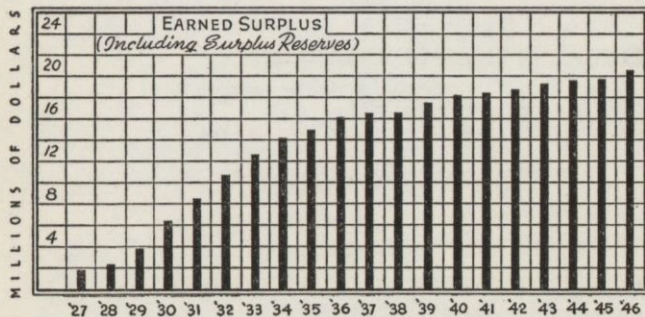
Net Profits—Fiscal Years

1927 \$1,492,193	1934 \$4,394,830	1941 \$2,508,719
1928 1,593,358	1935 3,433,504	1942 2,380,294
1929 2,904,884	1936 3,163,329	1943 2,465,079
1930 4,773,446	1937 3,647,001	1944 2,235,104
1931 4,479,108	1938 2,705,191	1945 2,294,604
1932 4,825,611	1939 2,774,366	1946 2,885,555
1933 4,220,099	1940 2,739,074	



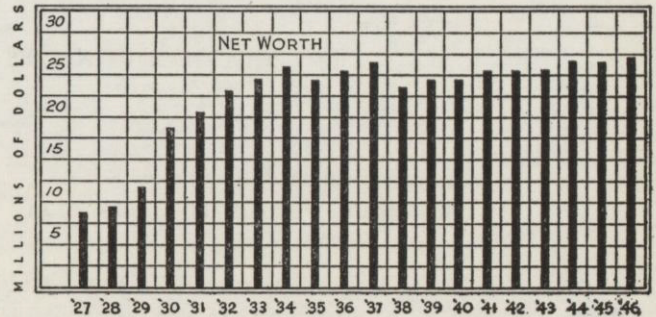
Per Share Common—Fiscal Years

1927 \$1.92	1934 \$4.97	1941 \$3.06
1928 2.09	1935 3.89	1942 2.90
1929 4.07	1936 3.65	1943 3.01
1930 5.39	1937 4.24	1944 2.73
1931 5.03	1938 3.14	1945 2.80
1932 5.52	1939 3.38	1946 3.52
1933 4.78	1940 3.34	



Surplus (Including Surplus Reserves)  
Fiscal Years

1927 \$1,996,375	1934 \$14,213,494	1941 \$18,572,964
1928 2,238,303	1935 15,121,448	1942 18,889,476
1929 3,987,782	1936 16,062,827	1943 19,308,135
1930 6,369,726	1937 16,670,118	1944 19,496,819
1931 8,371,910	1938 16,688,036	1945 19,745,003
1932 10,816,321	1939 17,423,131	1946 20,334,138
1933 12,666,672	1940 18,112,565	



Net Worth—Fiscal Years

1927 \$8,723,782	1934 \$26,190,916	1941 \$25,293,286
1928 8,965,710	1935 24,820,470	1942 25,625,755
1929 11,724,410	1936 25,761,849	1943 26,044,414
1930 18,347,148	1937 26,369,140	1944 26,233,098
1931 20,349,333	1938 23,746,089	1945 26,481,282
1932 22,793,743	1939 24,216,168	1946 27,070,417
1933 24,644,049	1940 24,874,883	



## GROCERY STORES AND MARKETS

Your company had in operation on . . . . .	<i>March 30, 1946</i>	<i>March 31, 1945</i>
Grocery Stores . . . . .	847	942
Markets or Combination Grocery, Fruit, Vegetable and Meat Stores . . . . .	389	398
Total Grocery Stores and Markets . . . . .	1,236	1,340

As of March 30, 1946, we had in operation 104 fewer stores than on March 31, 1945. Of the 847 grocery stores, 218 are of the Self-Service type and of the 389 markets, 275 are Self-Service markets. Because of the building material restrictions, it is unlikely that we shall be able to open many new stores in the near future. However, as soon as materials for construction and equipment are again available and authorized for commercial building projects, we plan to resume the development of larger stores of the Self-Service type.

## BANK LOANS

During the past fiscal year we paid \$640,000 on our loan with the First National Bank of Boston. On May 3, 1946, a further payment of \$320,000 was made and the unpaid balance at this time amounts to \$1,120,000. This loan, originally \$4,000,000 was made on May 11, 1942 and calls for semi-annual payments of \$320,000 each and the final balance is due in 1947. We have the privilege of paying the balance before maturity if we elect to do so.

## TAXES

For the fiscal year ending March 30, 1946, earnings were charged with direct taxes of \$6,194,310. This amounts to 68% of our profits before taxes for the year or \$7.56 for each share of our Common Stock. A summary of our direct taxes follows.

<i>Fiscal Year</i>	<i>Total Direct Taxes</i>	<i>% of Income (before taxes)</i>	<i>Per Share On Common</i>	<i>Per Store Operated</i>
1946	\$6,194,310	68%	\$7.56	\$5,011
1945	4,776,961	67%	5.83	3,564
1944	4,374,410	66%	5.34	2,990
1943	4,779,787	66%	5.84	3,015
1942	2,647,530	52%	3.23	1,514
1941	2,002,231	44%	2.44	1,041
1940	1,656,274	37%	2.02	753
1935	1,111,096	24%	1.36	420
1930	796,693	14%	.97	324

## COMMENTS

The profits for the past fiscal year show an increase of 72¢ per share over the prior year. The reduction in the corporate income tax rate and the elimination of the excess profits tax on January 1, 1946 account for 64¢ of this 72¢ per share increase.

Your company continues to be in sound financial condition with ample working capital for its present needs.

During the past three years, our expenditures for capital asset replacement and development have been below normal due to the war-time restrictions on construction of buildings, manufacture of store equipment and the purchase of automobiles and trucks. As soon as we are permitted to do so, we plan to make expenditures for these assets which are vitally necessary to the progress and



development of our business. It is our present belief that these expenditures will be made gradually, possibly over a period of two or three years, and that when they are made, our own resources should be sufficient to pay for them without resorting to the use of borrowed money for a long period.

Your company has encountered and solved many problems during the war period. Now, on the threshold of the post-war reconstruction period, we have full confidence that our organization will continue to make a creditable showing in the food distributing field in the years ahead and thus assist in the desirable objective of bringing our Country back to a sound peacetime economy.

### STOCKHOLDERS

Our latest dividend list shows 10,491 common stockholders. These shareholders reside in practically every city and town in New England where our stores are located and throughout the rest of the United States and some foreign countries as well. We have an average of over eight stockholder-owners for each store we operate.

The following table shows the number of our common shareholders at various intervals since 1926.

1946	1945	1944	1938	1932	1926
10,491	9,898	9,542	9,228	4,607	1,304

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With deep sorrow, we here record the death of Mr. Robert F. Irwin on December 31, 1945. Mr. Irwin was one of our Directors since 1925, and for nearly half a century was keenly interested in the growth and development of the chain food store industry. A fine gentleman, respected and esteemed by all of our Directors, he is greatly missed.

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During World War II, 6,361 of our employees joined the Military Services. For the past few months, we have been welcoming back to our organization the majority of these veterans. To the families of the 125 of our employees who made the supreme sacrifice and died in the service, we publicly express our heartfelt sympathy.

We also record here our thanks and appreciation to our entire working personnel for their fine cooperation, under trying conditions, during the past year.

### SPECIAL STOCKHOLDERS' MEETING—PROXIES

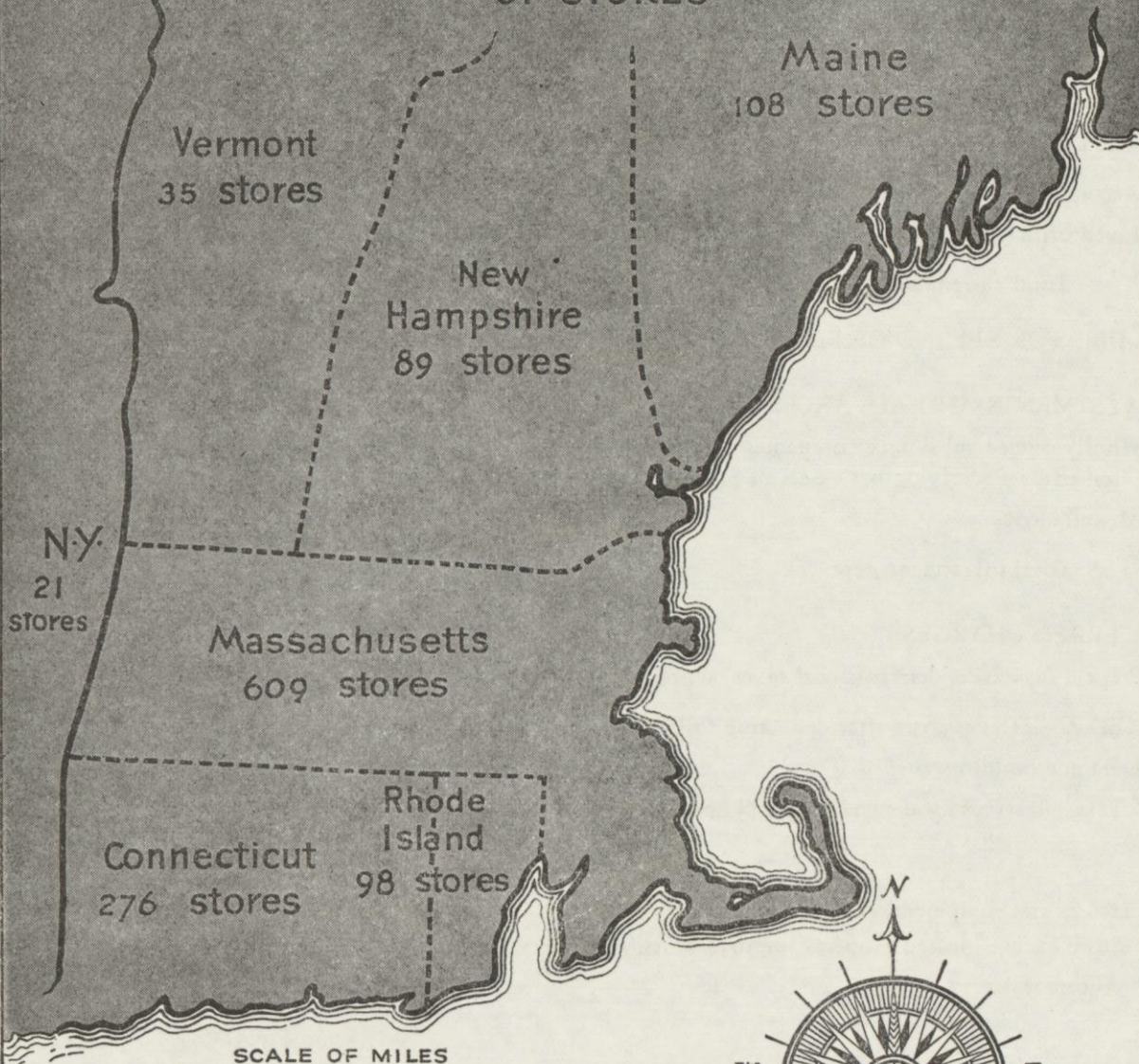
A notice of a special meeting of Stockholders, (in lieu of our usual annual meeting), proxy statement and proxy accompany this report. STOCKHOLDERS ARE REQUESTED TO SIGN THE MANAGEMENT'S AUTHORIZED PROXY AND MAIL PROMPTLY IN THE ENVELOPE PROVIDED. Your immediate attention to this important matter will be greatly appreciated and will save your Company considerable time and expense.

ARTHUR O'KEEFFE,  
*President.*



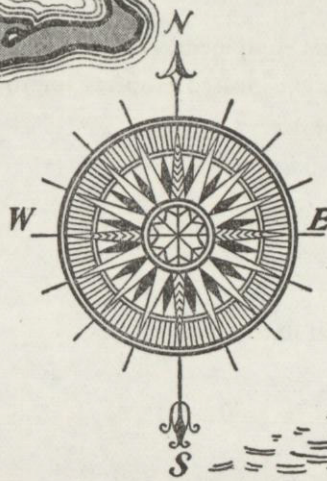
# FIRST NATIONAL STORES INC.

## GEOGRAPHICAL DISTRIBUTION OF STORES



SCALE OF MILES  
0 50 100 150

**Total Number  
of Stores**  
as of March 30, 1946  
1236





# FIRST NATIONAL STORES INC.

BALANCE SHEET—MARCH 30, 1946  
(With comparative figures as of March 31, 1945)

ASSETS		<i>March 30, 1946</i>	<i>March 31, 1945</i>
<b>CURRENT ASSETS:</b>			
Cash in banks and on hand (after deducting \$511,605 for dividend payable April 1, 1946) . . . . .		\$ 7,379,586	\$ 9,495,997
U. S. Government securities (at market quotations—approximately \$98,500 at both dates) . . . . .		94,800	94,800
Accounts receivable, less reserve . . . . .		1,243,288	990,424
Inventories (Note 1) . . . . .		18,598,082	15,341,781
Total current assets . . . . .		<u>\$27,315,756</u>	<u>\$25,923,002</u>
CLAIMS FOR REFUND OF FEDERAL EXCESS PROFITS TAXES (Note 1)		<u>\$ 750,000</u>	<u>\$ . . . .</u>
<b>INVESTMENTS AND ADVANCES, ETC.:</b>			
Wholly-owned subsidiary companies—at cost less reserve of \$40,000 (represented by underlying net assets of \$714,183 in 1946 and \$796,738 in 1945) . . . . .		\$ 475,833	\$ 675,833
Miscellaneous . . . . .		71,368	75,913
Total investments, etc. . . . .		<u>\$ 547,201</u>	<u>\$ 751,746</u>
<b>DEFERRED CHARGES:</b>			
Prepaid insurance, deferred local taxes, supplies, etc. . . . .		\$ 731,988	\$ 735,761
<b>FIXED ASSETS (at cost, after deducting fully-depreciated assets):</b>			
Land and buildings owned . . . . .		\$ 8,664,483	\$ 8,690,166
Less—Reserves for depreciation and obsolescence . . . . .		3,179,844	2,932,739
		<u>\$ 5,484,639</u>	<u>\$ 5,757,427</u>
Fixtures and equipment, etc.—			
Store fixtures, leased property improvements, machinery and equipment . . . . .		\$ 5,798,526	\$ 6,032,558
Automobiles . . . . .		676,123	526,985
		<u>\$ 6,474,649</u>	<u>\$ 6,559,543</u>
Less—Reserve for depreciation . . . . .		3,316,750	3,145,408
		<u>\$ 3,157,899</u>	<u>\$ 3,414,135</u>
Total fixed assets . . . . .		<u>\$ 8,642,538</u>	<u>\$ 9,171,562</u>
GOODWILL . . . . .		<u>\$ 1</u>	<u>\$ 1</u>
		<u>\$37,987,484</u>	<u>\$36,582,072</u>



FIRST NATIONAL STORES INC.  
BALANCE SHEET—MARCH 30, 1946  
(With comparative figures as of March 31, 1945)

		March 30,	March 31,
		1946	1945
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Note payable to bank (portion due within one year)		\$ 640,000	\$ 640,000
Accounts payable		4,471,256	3,675,772
Accrued local and state taxes and other expenses		2,125,880	2,746,313
Employees' investment certificates		208,080	219,740
Reserve for estimated federal income and excess profits taxes (after deducting \$3,413,410 U. S. Treasury Tax Notes on hand in 1946 and \$3,112,660 in 1945)		1,869,748	839,358
Total current liabilities		\$ 9,314,964	\$ 8,121,183
NOTE PAYABLE TO BANK (installments due after one year)		\$ 800,000	\$ 1,440,000
<b>RESERVES:</b>			
For contingencies		\$ 584,600	\$ 334,600
Miscellaneous		217,503	205,007
Total reserves		\$ 802,103	\$ 539,607
<b>CAPITAL STOCK AND SURPLUS:</b>			
Common stock—			
Authorized—1,000,000 shares without par value. Issued—827,634 shares.		\$ 6,977,422	\$ 6,977,422
Earned surplus		20,334,138	19,745,003
Together		\$27,311,560	\$26,722,425
Deduct:			
Common stock held in treasury—9,057 shares, at reduced amounts carried on books		241,143	241,143
Total capital stock and surplus, less treasury stock		\$27,070,417	\$26,481,282
		<u>\$37,987,484</u>	<u>\$36,582,072</u>

TO THE STOCKHOLDERS OF FIRST NATIONAL STORES INC.:

We have examined the balance sheet of First National Stores Inc. as of March 30, 1946 and the statement of profit and loss and earned surplus for the fiscal year ending on that date. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances, and included such tests of the accounting records and other supporting evidence and such other procedures as we considered necessary.

In our opinion, the accompanying balance sheet and related statement of profit and loss and earned surplus, together with the notes thereto, present fairly the position of First National Stores Inc. at March 30, 1946 and the results of its operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Boston, Massachusetts.  
July 30, 1946.

PRICE, WATERHOUSE & CO.



# FIRST NATIONAL STORES INC.

## STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS FOR THE FISCAL YEAR ENDING MARCH 30, 1946

(With comparative figures for preceding year)

	<i>Fiscal Year Ending</i>	
	<i>March 30, 1946</i>	<i>March 31, 1945</i>
Sales and revenues:		
Retail store sales (Note 2) . . . . .	\$182,131,241	\$170,236,678
Interest and dividends received (Note 3) . . . . .	34,509	22,313
	<u>\$182,165,750</u>	<u>\$170,258,991</u>
Costs and expenses:		
Cost of sales, expenses, etc., (exclusive of depreciation)—(Notes 1 and 2)	\$173,085,327	\$163,291,542
Depreciation on fixed assets . . . . .	936,823	962,360
Interest paid . . . . .	65,182	72,249
Provision for contingencies . . . . .	250,000	....
Loss on disposition of fixed assets (net) . . . . .	112,863	17,154
Loss on investment in subsidiary company . . . . .	....	46,082
	<u>\$174,450,195</u>	<u>\$164,389,387</u>
	<u>\$ 7,715,555</u>	<u>\$ 5,869,604</u>
Provision for estimated federal taxes on income:		
Normal and surtax . . . . .	\$ 1,765,000	\$ 1,305,000
Excess profits tax . . . . .	3,065,000	2,270,000
	<u>\$ 4,830,000</u>	<u>\$ 3,575,000</u>
Net Profit . . . . .	\$ 2,885,555	\$ 2,294,604
Dividends paid on common stock . . . . .	2,046,420	2,046,420
Balance, carried to surplus . . . . .	\$ 839,135	\$ 248,184
Earned surplus at beginning of fiscal year . . . . .	19,745,003	19,496,819
	<u>\$ 20,584,138</u>	<u>\$ 19,745,003</u>
Deduct—Excess of estimated cost of replacement of inventories involuntarily liquidated in prior years over original last in, first out inventory prices, less estimated refunds of prior years' excess profits taxes resulting therefrom (Note 1) . . . . .	250,000	....
Earned surplus at end of fiscal year . . . . .	<u>\$ 20,334,138</u>	<u>\$ 19,745,003</u>

### NOTES TO FINANCIAL STATEMENTS

(1) Merchandise in retail stores was valued at approximate average cost (on the basis of first in, first out) which did not exceed market; other merchandise, materials and supplies (aggregating \$11,275,946 at March 30, 1946 and \$8,533,821 at March 31, 1945) were valued at cost on the basis of last in, first out, or at market where lower in the case of individual items.

Partial replacement has been made of inventories which were involuntarily liquidated in prior years and, as permitted by the Internal Revenue Code, the company has elected to value the items replaced at their original inventory prices. The estimated excess of \$1,000,000 of the cost of the items so replaced over their original inventory prices, less the resulting estimated claims of \$750,000 for refund of prior years' federal excess profits taxes, has been charged to earned surplus in the accompanying statement of profit and loss and earned surplus for the year ending March 30, 1946.

The use of the last in, first out method and the application of the involuntary liquidation and replacement provisions of the tax law are subject to review and acceptance by the Bureau of Internal Revenue.

(2) Sales to U. S. Government agencies under "set aside" orders amounting to approximately \$3,200,000 and \$2,080,000 in the respective years, have been omitted in the statement of profit and loss and earned surplus from the figures relating to sales and have been credited to cost of sales.

(3) The net earnings of the subsidiary companies (all wholly-owned and not consolidated), from whom no dividends were received, aggregated \$117,445 in 1946 and \$74,843 in 1945.







BOARD  
OFFICE  
1917